



State of South Carolina

Office of the Governor

MARK SANFORD
GOVERNOR

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June 1, 2005

The Honorable David H. Wilkins
Speaker of the House of Representatives
State House
Post Office Box 11867
Columbia, South Carolina 29211

Mr. Speaker and Members of the House

I am hereby returning without my approval H. 3932, R-133. I am vetoing this bill because of the unintended consequences of the legislation.

The bill, which reenacts statute deemed unconstitutional by the South Carolina Supreme Court in *Sloan v. Wilkins, et al* case, expands the Economic Development Bond Act to include two new types of projects: a national and international convention and trade show center and tourism training infrastructure projects. The legislation also *exempts* either of these projects from the typical private investment and job requirements required of all other projects financed through the current law. Though the legislation is well-intended, I am concerned that it allows an open-ended financing opportunity over time for projects of limited value in the state. In addition, should these projects not generate the revenue expected, it is the taxpayers who will be left repaying the debt incurred.

To be clear, the strengthening and expansion of tourism in this state can be worth the investment of state dollars. As a member of the United States House of Representatives, I worked to improve tourism in South Carolina by designating Myrtle Beach, rather than Charleston, as the terminus for Interstate 73. I also supported efforts to bring federal grant dollars for beach renourishment in Horry County. I also sponsored the United State Cruise Tourism Act, which would have allowed cruise ships to go from one domestic port to another, increasing cruise tourism possibilities in our ports. As Governor, we have worked to reduce administrative costs at the Department of Parks, Recreation, and Tourism so that more dollars can go directly to promoting our state. In addition, I publicly campaigned to amend the South Carolina Constitution to eliminate mini-bottles and help our hospitality industry. I lobbied the Federal Aviation Administration to open more slots at Myrtle Beach International airport to bring more direct flights. We will continue to promote and strengthen tourism throughout the state, and especially the tourism cluster on the coast.

This legislation, however, breaks from the traditional model we have used for economic development anywhere else in the state. Specifically, for economic development projects financed by the Economic Development Bond Act, the deal \$400 million in private investment and the creation of 400 new jobs are required. In the case of a life sciences project, there is a \$100 million investment requirement and the creation of 200 new jobs. This legislation immediately exempts these types of projects from requiring any private investment or a quantifiable number of jobs created. Our state's economic development strategy to date has been predicated on public dollars being matched by an even larger private investment. This administration has gone further in the investment qualification process and added a Net Present Value (NPV) determination as part of the due diligence performed by the department of Commerce prior to the outlay of public funds. As crucial as we believe investments in tourism are to our economy it is important not to relax our investment criteria.

This legislation will, in effect, set a chilling precedent that, even for projects developed with intent of creating jobs and drawing additional investment that would otherwise not come to the community, there would be no actual requirement to do so. By that logic, the state could not expect a similar requirement for the development of businesses as it currently does. Additionally, there are no stipulations that the projects financed under this act would go directly to the benefit of tourism, but rather to any location that could muster enough support to draw down bond financing.

Second, this legislation accesses scarce capital investment dollars without some specific qualifications of return to the state and the taxpayers. The current debt ceiling is six percent, while the constitutionally-allowed rate is seven percent. As we stated in the veto of the Life Sciences Act last year and the in the Executive Budget released in January, this administration is concerned about the current debt capacity of the state. Given that the room to increase our capacity is limited by the constitution, we need to be cautious about where we should provide public financing dollars. Though bringing investment into non-manufacturing sectors, particularly tourism, continues to be a goal of this administration, we need to tie those dollars to a quantifiable expectation of drawing in new investment and new jobs or a determined return on investment. While potential tourism-related projects financed under this act could very well do that, this legislation requires neither. As a result, we expect that these state dollars will simply be matched by local tax dollars.

Finally, projects financed under this act would leave taxpayers across the state liable for repayment if the local government fails to do so. We would hate to think that there would be an empty or abandoned convention center, or even worse, one that proves to be a financial drag on a municipality, simply because the market does not support it. Even worse would be to ask taxpayers statewide to support repayment of a bond for such a facility because we did not provide due diligence. Investment debacles like Air South or Patriots Point are reminders of the importance of financial analysis prior to the investment of public funds.

We agree with the goals of this legislation, which are to continue to develop ways to promote and strengthen our number one industry in the state. In fact, this administration has brought in the Department of Parks, Recreation, and Tourism to work with the Coordinating Council to access dollars typically dedicated solely to manufacturing jobs.

Additionally, we could consider supporting legislation that allowed bond financing of tourism-related facilities, provided there were stipulations requiring private capital

investment and the creation of new jobs and a quantifiable rate of return to the state. I urge the General Assembly to retain the standards set for the investment of taxpayer dollars in economic development projects and apply similar standards to investment in tourism. Provided these changes were made, I could readily support the tourism investments contemplated in this bill and others like them.

For the reasons stated above, I am vetoing H. 3932, R-133, in its entirety, and returning it without my approval.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark Sanford', written in a cursive style.

Mark Sanford
Governor